

Voluntary - Public

**Clearance Office:** All - FAS

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## Philippines

**Post:** Manila

## Bio-Ethanol Update

### Report Categories:

Bio-Fuels

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### Report Highlights:

Despite significant bio-ethanol demand as a result of a mandated bio-ethanol blend, there have been insufficient investments into the establishment of the appropriate bio-ethanol production facilities. As such, compliance with the Philippine Bio-Fuels Law in relation to bio-ethanol use in gasoline is being met by imported bio-ethanol.

### General Information:

Under the implementing rules and regulations of Republic Act No. 9367 or the Bio-fuels Law (refer to p. 2, GAIN RP7029) local oil companies are required to sell diesel with a two (2) percent coco-methyl ester (CME) blend, and gasoline with a five (5) percent ethanol blend two years after implementation or on February 6, 2009.

To date, there are only two (2) local ethanol production facilities and only one is currently producing bio-ethanol commercially. One plant, the Leyte Agri Corp. (LAC) started producing bio-ethanol in the second semester of last year and has an approximate annual production capacity of 9 million liters. The other plant, the San Carlos Bioenergy Inc. (SCBI) is the bigger facility with an estimated

annual capacity of 30 million liter. SCBI started plant commissioning early this year and is expected to commence commercial operations next month. SCBI is an integrated sugar mill, cogeneration plant and distillery complex located in the province of Negros Occidental, and is reportedly the first one of its kind in Southeast Asia. There are no bio-ethanol plants or facilities currently under construction mainly due to the significant level of investment required.

The LAC and SCBI have a combined annual production capacity of roughly 40 million liters of bio-ethanol. At the current mandated 5 percent bio-ethanol blend, however, overall demand for bio-ethanol this year is estimated at around 210 million liters. This translates to an annual deficit of an estimated 170 million liters of bio-ethanol. The actual shortage for this year will be higher, however, due to the delay in SCBI operations.

While local oil companies have had no major problems in selling diesel with the mandated CME blend, and are considering raising the blend due to adequate local production of bio-diesel, oil companies are currently relying on imported bio-ethanol to comply with the Bio-Fuels Law. The shortage of local bio-ethanol, however, have not stopped some local oil companies to start selling a higher 10 percent bio-ethanol blended gasoline in some of their pump stations using imported bio-ethanol, mainly from Brazil.